

**REPORT OF THE AUDIT OF THE
GRANT COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Darrell L. Link, Grant County Judge/Executive

Members of the Grant County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated the Grant County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GRANT COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

Tichenor & Associates, LLP has completed the audit of the Grant County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion, on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Financial Condition:

The fiscal court had net assets of \$4,864,189 as of June 30, 2004. The fiscal court had unrestricted net assets of \$4,007,727 in its governmental activities as of June 30, 2004, with total net assets of \$4,760,764. In its enterprise fund, total net cash and cash equivalents were \$68,475 with total net assets of \$103,425.

Debt Obligations:

The fiscal court had total debt principal as of June 30, 2004 of \$10,223,000 with \$336,000, due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

Report Comments:

- The County Should Reconcile The Payroll Revolving Account On A Monthly Basis
- The County Should File A Uniform Financial Information Report By The July 15 Deadline, As Required by KRS 65.905

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TICHENOR & ASSOCIATES, LLP

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To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Darrell L. Link, Grant County Judge/Executive

Members of the Grant County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Grant County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Grant County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Budgetary Comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Darrell L. Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

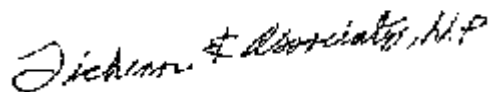
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2005 on our consideration of Grant County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Should Reconcile The Payroll Revolving Account On A Monthly Basis
- The County Should File A Uniform Financial Information Report By The July 15 Deadline, As Required by KRS 65.905

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Tichenor & Associates, LLP", is written over the printed name.

Tichenor & Associates, LLP

Audit fieldwork completed -
September 12, 2005

GRANT COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Darrell L. Link	County Judge/Executive
Richard Austin	Magistrate
Patricia Conrad	Magistrate
Ken Messer	Magistrate

Other Elected Officials:

Edward J. Lorenz	County Attorney
Judy Fortner	County Clerk
Randy Middleton	County Sheriff
Steve Kellam	County Jailer
Angela McLafferty	Property Valuation Administrator
Mary Lee Willoby	County Coroner

Appointed Personnel:

Roger L. Wagoner	County Treasurer
Connie McClure	Finance Officer
Connie McClure	Personnel or Payroll Officer
Charles Hearn	Road Supervisor
Dacia Wood	911 Administrator
Kay Jump	Jail Administrator Assistant/Bookkeeper
Evalene Davis	Other Key Personnel

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GRANT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

GRANT COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,971,335	\$ 68,475	\$ 5,039,810
Notes Receivable (Waterlines & Health Department)	160,830		160,830
Total Current Assets	<u>\$ 5,132,165</u>	<u>\$ 68,475</u>	<u>\$ 5,200,640</u>
Noncurrent Assets:			
Notes Receivable (Waterlines & Health Department)	2,442,000		2,442,000
Capital Assets - Net of Accumulated Depreciation:			
Land and Land Improvements	173,900		173,900
Buildings and Building Improvements	5,820,501		5,820,501
Vehicles	566,720	34,950	601,670
Machinery and Equipment	392,856		392,856
Infrastructure	455,622		455,622
Total Noncurrent Assets	<u>\$ 9,851,599</u>	<u>\$ 34,950</u>	<u>\$ 9,886,549</u>
Total Assets	<u>\$ 14,983,764</u>	<u>\$ 103,425</u>	<u>\$ 15,087,189</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations Due Within One Year	136,000		136,000
Bonds Due Within One Year	200,000		200,000
Noncurrent Liabilities:			
Bonds Due in More Than One Year	7,445,000		7,445,000
Financing Obligations Due In More Than One Year	2,442,000		2,442,000
Total Liabilities	<u>\$ 10,223,000</u>	<u>\$</u>	<u>\$ 10,223,000</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(235,401)	34,950	(200,451)
Restricted For:			
Debt Service	988,438		988,438
Unrestricted	4,007,727	68,475	4,076,202
Total Net Assets	<u>\$ 4,760,764</u>	<u>\$ 103,425</u>	<u>\$ 4,864,189</u>

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GRANT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

GRANT COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		Totals
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
General Government	\$ 3,146,174	\$	\$ 63,623	\$ (3,082,551)	\$	\$ (3,082,551)
Protection to Persons and Property	2,704,127	3,087,963		383,836		383,836
General Health and Sanitation	428,015			(428,015)		(428,015)
Social Services	45,315			(45,315)		(45,315)
Recreation and Culture	412,976			(412,976)		(412,976)
Roads	718,722	23,784	816,921	121,983		121,983
Capital Projects	27,654			(27,654)		(27,654)
Interest on Long-term Debt and Financing Obligations	539,563			(539,563)		(539,563)
Total Governmental Activities	8,022,546	3,111,747	880,544	(4,030,255)		(4,030,255)
Business-Type Activities:						
Jail Canteen	142,511	144,208			1,697	1,697
Total Business-Type Activities	142,511	144,208			1,697	1,697
Total Primary Government	\$ 8,165,057	\$ 3,255,955	\$ 880,544	\$ (4,030,255)	\$ 1,697	\$ (4,028,558)
General Revenues:						
Taxes:						
Real Property Taxes				1,152,852		1,152,852
Personal Property Taxes				69,944		69,944
Motor Vehicle Taxes				211,477		211,477
Other Taxes				586,669		586,669
Excess Fees				110,227		110,227
Building Rental				75,874		75,874
Interest				78,220		78,220
Landfill Host Agreement				824,760		824,760
Sheriff Fee Pooling				612,830		612,830
Miscellaneous Revenues				806,878	30,294	837,172
Total General Revenues				4,529,731	30,294	4,560,025
Change in Net Assets				499,476	31,991	531,467
Net Assets - Beginning (Restated)				4,261,288	71,434	4,332,722
Net Assets - Ending				\$ 4,760,764	\$ 103,425	\$ 4,864,189

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004

GRANT COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 3,905,906	\$ 52,281	\$ 16,493	\$ 988,438	\$ 8,217	\$ 4,971,335
Total assets	<u>\$ 3,905,906</u>	<u>\$ 52,281</u>	<u>\$ 16,493</u>	<u>\$ 988,438</u>	<u>\$ 8,217</u>	<u>\$ 4,971,335</u>
FUND BALANCES						
Unrestricted:						
General Fund	\$ 3,905,906	\$	\$	\$	\$	\$ 3,905,906
Special Revenue Funds		52,281	16,493		8,217	76,991
Restricted for:						
Debt Service Fund				988,438		988,438
Total Fund Balances	<u>\$ 3,905,906</u>	<u>\$ 52,281</u>	<u>\$ 16,493</u>	<u>\$ 988,438</u>	<u>\$ 8,217</u>	<u>\$ 4,971,335</u>

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 4,971,335
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Notes Receivable Used in Governmental Activities Are Not Current Financial Resources	
And Therefore Are Not Reported in the Funds.	2,602,830
Capital Assets Used in Governmental Activities Are Not Current Financial Resources	
And Therefore Are Not Reported in the Funds.	8,598,046
Accumulated Depreciation	(1,188,447)
Long-term debt is not due and payable in the current period and,	
therefore, is not reported in the funds.	
Bonded Debt	(7,645,000)
Financing Obligations	<u>(2,578,000)</u>
Net Assets Of Governmental Activities	<u>\$ 4,760,764</u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

GRANT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 1,824,652	\$	\$	\$	\$ 1,430	\$ 1,826,082
Excess Fees	110,227					110,227
Licenses and Permits	106,046					106,046
Intergovernmental	1,624,451	1,030,488	2,477,147		6,505	5,138,591
Charges for Services	9,715		157,446			167,161
Miscellaneous	1,006,566	4,349	188,950			1,199,865
Interest	44,721	2,239	1,413	29,591	256	78,220
Total Revenues	<u>4,726,378</u>	<u>1,037,076</u>	<u>2,824,956</u>	<u>29,591</u>	<u>8,191</u>	<u>8,626,192</u>
EXPENDITURES						
General Government	2,865,628	79,582				2,945,210
Protection to Persons and Property	258,244		2,388,285		1,350	2,647,879
General Health and Sanitation	428,015					428,015
Social Services	45,315					45,315
Recreation and Culture	411,350					411,350
Roads		1,098,422			19,300	1,117,722
Transportation Facilities and Services					6,000	6,000
Debt Service				604,673		604,673
Capital Projects	27,654					27,654
Grants			478,752			478,752
Administration				1,794		1,794
Total Expenditures	<u>4,036,206</u>	<u>1,178,004</u>	<u>2,867,037</u>	<u>606,467</u>	<u>26,650</u>	<u>8,714,364</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>690,172</u>	<u>(140,928)</u>	<u>(42,081)</u>	<u>(576,876)</u>	<u>(18,459)</u>	<u>(88,172)</u>
Other Financing Sources (Uses)						
Transfers From Other Funds		325,345	764,645	580,109		1,670,099
Transfers To Other Funds	(789,300)	(150,345)	(730,454)			(1,670,099)
Total Other Financing Sources (Uses)	<u>(789,300)</u>	<u>175,000</u>	<u>34,191</u>	<u>580,109</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(99,128)	34,072	(7,890)	3,233	(18,459)	(88,172)
Fund Balances - Beginning	4,005,034	18,209	24,383	985,205	26,676	5,059,507
Fund Balances - Ending	<u>\$ 3,905,906</u>	<u>\$ 52,281</u>	<u>\$ 16,493</u>	<u>\$ 988,438</u>	<u>\$ 8,217</u>	<u>\$ 4,971,335</u>

The accompanying notes are an integral part of the financial statements.

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**GRANT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

GRANT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	(88,172)
--------------------------------------------------------	----	----------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		552,110
Depreciation expense		(224,292)

Change in notes receivable as a result of payment on debt by the districts		(104,170)
-------------------------------------------------------------------------------	--	-----------

Financing obligations and bond principal payments are expensed in the governmental funds as a use of current financial resources while at the government-wide level, these payments reduce long-term debt.

Bond Payments		235,000
Financing Obligations		129,000

Change in Net Assets of Governmental Activities	\$	499,476
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GRANT COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS
June 30, 2004

GRANT COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 68,475
Total Current Assets	<u>68,475</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	43,188
Less: accumulated depreciation	<u>(8,238)</u>
Total Noncurrent Assets	<u>34,950</u>
Total Assets	<u>103,425</u>
Net Assets	
Invested in capital assets, net of related debt	34,950
Unrestricted	<u>68,475</u>
Total Net Assets	<u>\$ 103,425</u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For the Year Ended June 30, 2004

GRANT COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For the Year Ended June 30, 2004

	Business - Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 144,208
Total Operating Revenues	<u>144,208</u>
Operating Expenses	
Educational and Recreational	8,245
Miscellaneous	126,028
Depreciation Expense	8,238
Total Operating Expenses	<u>142,511</u>
Operating Income (Loss)	<u>1,697</u>
Nonoperating Revenues (Expenses)	
Inmate Pay from State	3,062
Inmate Funds	718,453
Inmate Refunds	<u>(691,221)</u>
Total Nonoperating Revenues (Expenses)	<u>30,294</u>
Change in Net Assets	31,991
Total Net Assets - Beginning	<u>71,434</u>
Total Net Assets - Ending	<u>\$ 103,425</u>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For the Year Ended June 30, 2004

GRANT COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows from Operating Activities	
Receipts from Customers	\$ 144,208
Educational and Recreational	(8,245)
Miscellaneous	(126,028)
	<hr/>
Net Cash Provided by Operating Activities	9,935
	<hr/>
Cash Flows from Noncapital Financing Activities	
Inmate Pay from State	3,062
Inmate Funds	718,453
Inmate Refunds on Accounts	(691,221)
Net Cash Provided by Noncapital Financing Activities	30,294
	<hr/>
Cash Flows from Capital Financing Activities	
Purchases of Capital Assets	(43,188)
	<hr/>
Net Increase in Cash and Cash Equivalents	(2,959)
	<hr/>
Cash and Cash Equivalents - July 1, 2003	71,434
	<hr/>
Cash and Cash Equivalents - June 30, 2004	\$ 68,475
	<hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 1,697
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	8,238
	<hr/>
Total Cash Provided By Operating Activities	\$ 9,935
	<hr/>

The accompanying notes are an integral part of the financial statements.

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GRANT COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

GRANT COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	<u>Agency Fund</u>
	<u>Jail Inmate</u>
	<u>Account</u>
Assets	
Current Assets:	
Cash	\$ 47,967
Total Assets	<u> 47,967</u>
Liabilities	
Amounts Held in Custody for Others	47,967
Total Liabilities	<u>\$ 47,967</u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The County presents its government-wide and fund financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenue when received and expenditures when paid. Property taxes receivable, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and their corresponding depreciation expenses are included on the Statement of Activities.

B. Reporting Entity

The financial statements of Grant County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the County is financially accountable or their exclusion would cause the County's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though it is part of the County's primary government using the blended method.

Grant County Public Properties Corporation

The Grant County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Grant County Fiscal Court is financially accountable for the component unit as part of the reporting entity and its financial activity is blended with that of the fiscal court.

C. Grant County Constitutional Elected Officials Not Part Of Grant County, Kentucky

The Kentucky constitution provides for election of the officials listed below from the geographic area constituting Grant County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Grant County Constitutional Elected Officials Not Part Of Grant County, Kentucky
(Continued)

required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional - Grant County Constitutional Elected Officials

- County Attorney
- County Clerk
- County Sheriff
- County Jailer
- Property Valuation Administrator
- County Coroner

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets liabilities, revenues, or expenditures are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Fund - This is for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, and Forestry Fund.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements on Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency fund is used to account for monies held by the County in the Jail Canteen Inmate Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

E. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, infrastructure (roads and bridges) machinery, equipment, and intangibles that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental activities or business-type activities column of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 20,000	10-50

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principle amount of bonds and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current year. The principle amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, such as debt service and encumbrances.

I. Legal Compliance - Budget

The Grant County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund to comply with these requirements. The Governor's Office for Local Development does not require this fund to be budgeted.

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by and agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits (Continued)

board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the county's deposits were fully insured or collateralized at a 100% level.

Note 3. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer defined benefit pension plan that covers all eligible full-time employees, and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provision are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 173,900	\$	\$	\$ 173,900
Total Capital Assets Not Being Depreciated	173,900			173,900
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	6,498,000			6,498,000
Machinery and Equipment	625,564			625,564
Vehicles	748,472	88,136		836,608
Infrastructure		463,974		463,974
Total Capital Assets Being Depreciated	\$ 7,872,036	\$ 552,110		\$ 8,424,146

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Less Accumulated Depreciation For:				
Buildings and Building Improvements	\$ (585,503)	\$ (91,996)	\$	\$ (677,499)
Machinery and Equipment	(203,116)	(29,592)		(232,708)
Vehicles	(175,536)	(94,352)		(269,888)
Infrastructure		(8,352)		(8,352)
Total Accumulated Depreciation	(964,155)	(224,292)		(1,188,447)
Total Capital Assets, Being Depreciated, Net	6,907,881	327,818		7,235,699
Governmental Activities Capital Assets, Net	<u>\$ 7,081,781</u>	<u>\$ 327,818</u>	<u>\$</u>	<u>\$ 7,409,599</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	<u>\$</u>	<u>\$ 43,188</u>	<u>\$</u>	<u>\$ 43,188</u>
Total Capital Assets Being Depreciated		43,188		43,188
Less Accumulated Depreciation For:				
Vehicles		(8,238)		(8,238)
Total Accumulated Depreciation		(8,238)		(8,238)
Total Capital Assets, Being Depreciated, Net		34,950		34,950
Business-Type Activities Capital Assets, Net	<u>\$</u>	<u>\$ 34,950</u>	<u>\$</u>	<u>\$ 34,950</u>

Depreciation expense was charged to functions of the primary government and business-type activities as follows:

<u>Governmental Activities:</u>	
General Government	\$ 19,308
Protection to Persons and Property	144,384
Recreation and Culture	1,626
Roads	58,974
Total Depreciation Expense - Governmental Activities	<u>\$ 224,292</u>
<u>Business-Type Activities</u>	
Jail Canteen	\$ 8,238
Total Depreciation Expense - Business-Type Activities	<u>\$ 8,238</u>

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt

Bonds outstanding of the Grant County Public Properties Corporation Fund are:

A. The Grant County Public Properties Corporation issued \$910,000, First Mortgage Revenue Bonds dated August 1995, for the construction of a jail. Principal payments are due each year on July 1. Interest on the bonds is payable each July 1 and January 1, and began on January 1, 1996. The principal balance outstanding for the bond issue as of fiscal year ended June 30, 2004 was \$600,000. Future debt service requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2005	\$ 36,185	\$ 40,000
2006	33,868	45,000
2007	31,370	45,000
2008	28,685	50,000
2009	25,665	55,000
2010-2014	<u>73,415</u>	<u>405,000</u>
Totals	\$ 229,188	\$ 640,000
Less: Payments		
Due July 2004		
Paid June 2004	<u>36,185</u>	<u>40,000</u>
Totals Outstanding		
June 30, 2004	<u>\$ 193,003</u>	<u>\$ 600,000</u>

B. The Grant County Public Properties Corporation issued \$7,775,000, First Mortgage Revenue Bonds dated August 1998, for the construction of a jail addition. Principal payments are due each year on July 1, in the amounts indicated below starting July 1, 2000. Interest on the bonds is payable each July 1 and January 1, beginning January 1, 1999. The principal balance outstanding for this bond issue as of fiscal year ended June 30, 2004, was \$7,045,000. Future debt service requirements are:

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

B. (Continued)

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2005	\$ 325,909	\$ 200,000
2006	316,479	210,000
2007	306,589	220,000
2008	296,210	230,000
2009	285,341	240,000
2010-2014	1,243,904	1,390,000
2015-2019	877,213	1,765,000
2020-2024	404,241	2,265,000
2025	<u>12,469</u>	<u>525,000</u>
Totals Outstanding		
June 30, 2004	<u>\$ 4,068,355</u>	<u>\$ 7,045,000</u>

Total bond principal outstanding for the Public Properties Corporation Fund, shown in the debt service schedules above, as of June 30, 2004, was \$7,645,000.

Note 6. Financing Obligations/Notes Receivable

The county has entered into the following agreements:

A. Grant County entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the construction of rural waterlines by the Corinth Water District. A total of \$1,245,000 was awarded to Grant County on March 31, 1994. The agreement calls for Grant County to make variable annual payments for twenty-five years beginning January 1995, and ending January 2019, with the option to renew each year. Interest is paid monthly at an effective rate of 5.37 percent. The outstanding principal balance as of June 30, 2004, was \$932,000. Future principal and interest requirements are:

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Financing Obligations/Notes Receivable (Continued)

A. (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 58,472	\$ 42,000
2006	55,733	44,000
2007	52,867	46,000
2008	49,846	49,000
2009	46,633	52,000
2010-2014	178,757	303,000
2015-2019	<u>68,095</u>	<u>396,000</u>
Totals Outstanding June 30, 2004	<u>\$ 510,403</u>	<u>\$ 932,000</u>

B. Grant County entered into an agreement with KACoLT for the construction of waterlines for the Bullock Pen - Phase III Water Expansion Project. A total of \$1,500,000 was awarded to Grant County during fiscal year ended June 30, 1996. The agreement calls for Grant County to make annual payments beginning September 1995, and ending February 2019. Interest is paid monthly at an effective rate of 5.45 percent. The outstanding principal balance as of June 30, 2004, was \$1,168,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 74,247	\$ 52,000
2006	70,798	55,000
2007	67,155	58,000
2008	63,317	61,000
2009	59,258	65,000
2010-2014	227,124	380,000
2015-2019	<u>86,656</u>	<u>497,000</u>
Totals Outstanding June 30, 2004	<u>\$ 648,555</u>	<u>\$ 1,168,000</u>

C. Grant County entered into an agreement with KACoLT for the expansion of Health Department facilities. A total of \$400,000 was awarded to Grant County. The agreement calls for Grant County to make variable annual payments for fifteen years beginning June 1996, and ending February 2011. Interest is paid monthly at an effective rate of 5.35 percent. The outstanding principal balance as of June 30, 2004, was \$225,000. Future principal and interest requirements are:

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Financing Obligations/Notes Receivable (Continued)

C. (Continued)

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2005	\$ 13,625	\$ 27,000
2006	11,851	29,000
2007	9,976	30,000
2008	8,011	32,000
2009	5,918	34,000
2010-2011	<u>5,137</u>	<u>73,000</u>
Totals Outstanding June 30, 2004	<u>\$ 54,518</u>	<u>\$ 225,000</u>

D. Grant County entered into an agreement with KACoLT for the construction of waterlines for the Bullock Pen Water Expansion Project - Phase IV. A total of \$336,000 was awarded to Grant County. The agreement calls for Grant County to make annual payments beginning October 1996, and ending February 2016. Interest is paid monthly at an effective rate of 5.13 percent. The outstanding principal balance as of June 30, 2004, was \$253,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2005	\$ 15,112	\$ 15,000
2006	14,168	16,000
2007	13,188	16,000
2008	12,183	17,000
2009	11,116	18,000
2010-2014	37,176	108,000
2015-2016	<u>4,578</u>	<u>63,000</u>
Totals Outstanding June 30, 2004	<u>\$ 107,521</u>	<u>\$ 253,000</u>

The total principal outstanding liability as of June 30, 2004, for the four agreements listed above is \$2,578,000.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Financing Obligations/Notes Receivable (Continued)

D. (Continued)

The agreements listed above were subsequently sub-leased to each applicable district. The districts make monthly payments to the county for the debt service requirements in accordance with the sub-lease agreements. The total notes outstanding as of June 30, 2004, is:

Corinth Water District	\$ 956,830
Bullock Pen - Phase III	1,168,000
Health Department	225,000
Bullock Pen - Phas IV	253,000
	<u>\$ 2,602,830</u>

E. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Revenue Bonds (Note 5)	\$ 7,880,000	\$	\$ 235,000	\$ 7,645,000	\$ 200,000
Financing Obligations	<u>2,707,000</u>		<u>129,000</u>	<u>2,578,000</u>	<u>136,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 10,587,000</u>	<u>\$</u>	<u>\$ 364,000</u>	<u>\$ 10,223,000</u>	<u>\$ 336,000</u>

Note 7. Interest on Long term Debt and Financing Obligations

Interest on long-term debt on the statement of activities includes \$169,890 in interest on financing obligations and \$369,673 in interest on bonds.

Note 8. Insurance

For the fiscal year ended June 30, 2004, Grant County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 9. Changes in Accounting Principles and Prior Period Adjustments

The County has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34, and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The beginning net asset balance for the governmental-activities was \$4,261,288 and the beginning fund balance for the governmental funds was \$5,059,507 for a decrease of \$798,219. The primary reason for this change was the inclusion of capital assets and long-term debt previously omitted. The beginning net assets balance of business-type activities was not affected by this change as they did not have capital assets in prior years.

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GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2004

GENERAL FUND				
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,694,000	\$ 1,694,000	\$ 1,824,652	\$ 130,652
Excess Fees	51,611	51,611	110,227	58,616
Licenses and Permits	95,000	95,000	106,046	11,046
Intergovernmental Revenue	1,438,585	1,450,565	1,624,451	173,886
Charges for Services	4,000	4,000	9,715	5,715
Miscellaneous	523,075	523,075	1,006,566	483,491
Interest	65,000	65,000	44,721	(20,279)
Total Revenues	<u>3,871,271</u>	<u>3,883,251</u>	<u>4,726,378</u>	<u>843,127</u>
EXPENDITURES				
General Government	2,652,893	2,725,336	2,566,738	158,598
Protection to Persons and Property	339,388	330,079	258,244	71,835
General Health and Sanitation	551,844	555,676	428,015	127,661
Social Services	69,700	89,859	45,315	44,544
Recreation and Culture	938,955	734,429	411,350	323,079
Capital Projects	75,000	69,581	27,654	41,927
Total Expenditures	<u>4,627,780</u>	<u>4,504,960</u>	<u>3,737,316</u>	<u>767,644</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(756,509)</u>	<u>(621,709)</u>	<u>989,062</u>	<u>1,610,771</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(259,175)</u>	<u>(259,175)</u>	<u>(789,300)</u>	<u>(530,125)</u>
Total Other Financing Sources (Uses)	<u>(259,175)</u>	<u>(259,175)</u>	<u>(789,300)</u>	<u>(530,125)</u>
Net Changes in Fund Balances	(1,015,684)	(880,884)	199,762	1,080,646
Fund Balances - Beginning	<u>1,315,584</u>	<u>1,315,584</u>	<u>4,005,034</u>	<u>2,689,450</u>
Fund Balances - Ending	<u>\$ 299,900</u>	<u>\$ 434,700</u>	<u>\$ 4,204,796</u>	<u>\$ 3,770,096</u>

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 1,007,400	\$ 1,124,172	\$ 1,030,488	\$ (93,684)
Miscellaneous	1,175	1,175	4,349	3,174
Interest	4,500	4,500	2,239	(2,261)
Total Revenues	<u>1,013,075</u>	<u>1,129,847</u>	<u>1,037,076</u>	<u>(92,771)</u>
EXPENDITURES				
Roads	1,168,350	2,101,717	1,098,422	1,003,295
Administration	103,900	(712,695)	79,582	(792,277)
Total Expenditures	<u>1,272,250</u>	<u>1,389,022</u>	<u>1,178,004</u>	<u>211,018</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(259,175)</u>	<u>(259,175)</u>	<u>(140,928)</u>	<u>118,247</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	259,175	259,175	325,345	66,170
Transfers To Other Funds			(150,345)	(150,345)
Total Other Financing Sources (Uses)	<u>259,175</u>	<u>259,175</u>	<u>175,000</u>	<u>(84,175)</u>
Net Changes in Fund Balances			34,072	34,072
Fund Balances - Beginning			<u>18,209</u>	<u>18,209</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 52,281</u>	<u>\$ 52,281</u>

GRANT COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

JAIL FUND				
	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 2,805,100	\$ 2,805,100	\$ 2,477,147	\$ (327,953)
Charges for Services	128,000	128,000	157,446	29,446
Miscellaneous	165,500	165,500	188,950	23,450
Interest	5,000	5,000	1,413	(3,587)
Total Revenues	<u>3,103,600</u>	<u>3,103,600</u>	<u>2,824,956</u>	<u>(278,644)</u>
EXPENDITURES				
Protection to Persons and Property	1,950,400	2,209,778	2,388,285	(178,507)
Debt Service	583,000	582,974		582,974
Administration	570,200	445,648	478,752	(33,104)
Total Expenditures	<u>3,103,600</u>	<u>3,238,400</u>	<u>2,867,037</u>	<u>371,363</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(134,800)</u>	<u>(42,081)</u>	<u>92,719</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			764,645	764,645
Transfers To Other Funds			(730,454)	(730,454)
Total Other Financing Sources (Uses)			<u>34,191</u>	<u>34,191</u>
Net Changes in Fund Balances		(134,800)	(7,890)	126,910
Fund Balances - Beginning			24,383	24,383
Fund Balances - Ending	<u>\$</u>	<u>\$ (134,800)</u>	<u>\$ 16,493</u>	<u>\$ 151,293</u>

GRANT COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

GRANT COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

GRANT COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	Local Government Economic Assistance Fund	Forestry Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 6,900	\$ 1,317	\$ 8,217
Total assets	<u>6,900</u>	<u>1,317</u>	<u>8,217</u>
FUND BALANCES			
Unreserved:			
Special Revenue Fund	6,900	1,317	8,217
Total Fund Balances	<u>\$ 6,900</u>	<u>\$ 1,317</u>	<u>\$ 8,217</u>

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GRANT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

GRANT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Local Government Economic Assistance Fund	Forestry Fund	Total Non-Major Governmental Funds
REVENUES			
Taxes	\$	\$ 1,430	\$ 1,430
Intergovernmental	6,505		6,505
Interest	233	23	256
Total Revenues	<u>6,738</u>	<u>1,453</u>	<u>8,191</u>
EXPENDITURES			
Protection to Persons and Property		1,350	1,350
Roads	19,300		19,300
Transportation Facilities and Services	6,000		6,000
Total Expenditures	<u>25,300</u>	<u>1,350</u>	<u>26,650</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(18,562)</u>	<u>103</u>	<u>(18,459)</u>
Net Change in Fund Balances	(18,562)	103	(18,459)
Fund Balances - Beginning (Restated)	25,462	1,214	26,676
Fund Balances - Ending	<u>\$ 6,900</u>	<u>\$ 1,317</u>	<u>\$ 8,217</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE SUITE C
LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775
FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

Honorable Darrell L. Link, Grant County Judge/Executive
Members of the Grant County Fiscal Court

**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated September 12, 2005. Grant County, Kentucky presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect Grant County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

- The County Should Reconcile The Payroll Revolving Account On A Monthly Basis

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

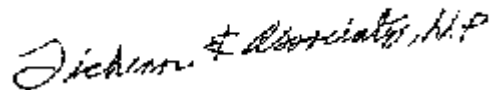
Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards.

- The County Should File A Uniform Financial Information Report By The July 15 Deadline, As Required By KRS 65.905

This report is intended solely for the information and use of Grant County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tichenor & Associates, LLP".

Tichenor & Associates, LLP

Audit fieldwork completed -
September 12, 2005

COMMENTS AND RECOMMENDATIONS

**GRANT COUNTY FISCAL COURT
COMMENTS AND RECOMMENDATIONS**

For The Fiscal Year Ended June 30, 2004

STATE LAWS AND REGULATIONS:

The County Should File A Uniform Financial Information Report By The July 15 Deadline, As Required By KRS 65.905

A uniform financial information report is required to be filed with the Depart of Local Government by July 15, which is fifteen (15) days after the end of the last quarter of the fiscal year. The County did not file the Report until October 31, 2004. We recommend the County file the uniform financial information report by the July 15 deadline, as required by KRS 65.905.

County Treasurer Roger L. Wagoner's Response: Every attempt will be made for timely filing.

REPORTABLE CONDITION:

Internal Control:

The County Should Reconcile The Payroll Revolving Account On A Monthly Basis

During our testing, we noted the payroll revolving account is not being reconciled. It is recommended that this account be reconciled monthly.

County Treasurer Roger L. Wagoner's Response: All accounts are reconciled on a monthly basis with the exception of payroll. Implementation of payroll reconciliation will be instituted.

PRIOR YEAR:

Nothing Reported.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

GRANT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

GRANT COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2004

The Grant County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.



Name **Darrell L. Link**

County Judge/Executive



Name **ROGER L. WAGONER**

County Treasurer